

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Housing for Persons with Disabilities (Section 811)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	227,000	237,016	-	464,016	315,763	210,997
2022 Annualized CR	227,000	152,253	-	379,253	341,000	295,000
2023 President's Budget	287,700	39,253	-	326,953	310,000	372,000
Change from 2022	60,700	(113,000)	-	(52,300)	(31,000)	77,000

a/ 2021 Carryover amount includes \$232 million in carryover, \$2 million in recoveries, and \$3 million in collections.

b/ 2022 Carryover amount includes an estimated \$148 million in carryover, \$1 million in recoveries, and \$3 million in collections.

c/ 2023 Carryover amount includes an estimated \$38 million in carryover and \$1 million in recoveries.

PROGRAM PURPOSE

The Housing for Persons with Disabilities Program (Section 811) provides project-based rental assistance to very low- and extremely low-income persons with disabilities to live independently in integrated housing settings with community-based support and services. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-based support and services, such as case management, housekeeping, and daily living assistance to successfully live independently in the community. Section 811 provides project-based rental assistance that covers the difference between HUD-approved operating costs of the project and the tenants' contributions toward rent, as well as direct funding for construction through Capital Advances.

BUDGET OVERVIEW

The 2023 President's Budget requests \$287.7 million for the Section 811 program, which is \$60.7 million more than the 2022 Annualized CR level. This includes:

- \$205 million for Project Rental Assistance Contracts (PRAC), Project Assistance Contracts (PAC), and State Project Rental Assistance (State PRA) renewals and amendments.
- \$80 million for Capital Advance and Project Rental Assistance to increase the supply of affordable, community-based housing for persons with disabilities.
- \$2.7 million for inspections and related administrative costs.

In addition, to support HUD's focus on climate, property owners who seek to improve their properties may be eligible to receive grants or loans under the proposed Green and Resilient Retrofit program.

This Budget level assumes that adverse impacts of the current COVID-19 pandemic will gradually begin to subside, and an economic recovery will be well underway by the start of 2023.

Housing-related challenges can trigger significant mental health distress. Training and technical assistance resources available in this account will be used to support HUD's department-wide effort to reduce the impacts of housing-related challenges on mental and emotional well-being and improve the experience of the Department's customers. HUD will coordinate validated, evidence-based training for front-line housing professionals on the signs and symptoms of emotional distress and mental health challenges. This training will help housing professionals connect customers who are experiencing emotional distress with appropriate local resources.

JUSTIFICATION

PRAC/PAC/State PRA Renewals and Amendments - \$205 million

The 2023 Budget provides \$205 million for PRAC, Project Assistance Contract (PAC), and State PRA renewals and amendments to support affordable rental homes for very low-income persons with disabilities. The requested amount will fully fund the approximately 31,600 units, under the 2,760 contracts requiring renewal or amendment from January through December 2023.

Increases in gross needs for Section 811 PRAC/PAC/PRA renewals and amendments are driven mainly by increased project operating costs and other inflationary factors, and by funding needed to support units under contracts that are renewing or need amendment funding for the first time. For 2023, HUD estimates Section 811 program subsidy inflation at approximately four percent. During 2023, about 850 existing PRAC units will renew or require amendment funds for the first time.

The funding for PRAC/PAC/PRA renewal and amendment amounts assumes that current services renewal needs will be fully funded in 2022 through regular appropriations.

This funding promotes health equity through the integration of healthcare and housing and will advance policies that recognize housing's role as essential to the residents' health and well-being. The Section 811 program provides the funding to connect housing and supportive services for persons with disabilities to live independently in an integrated community-based housing setting.

Providing deeply affordable housing promotes the economic stability of persons with disabilities by giving them the opportunity to use their financial resources that otherwise would have gone towards market rent for other purposes, such as education, nutrition, healthcare, transportation, and savings.

Section 811 PRA promotes vital collaboration between stakeholders to promote connections between housing and services for persons with disabilities. Section 811 PRA requires cooperation between State Housing Finance Agencies (HFAs) and State Medicaid Agencies to build institutional capacity in participating States so States can provide integrated housing in communities.

Capital Advance and State Project Rental Assistance - \$80 million

The requested funding will support approximately 900 new Section 811 units to expand the supply of affordable housing for very low- and extremely low-income persons with disabilities to live independently in the community with connections to critical supportive services, as an alternative to costly institutional care. The awards will provide construction funding through Capital Advances with operating assistance to not-for-profit owners and new Project Rental Assistance (PRA) awards to State HFAs, as well as other eligible entities.

The Section 811 Program addresses the unmet housing needs of very low- and extremely low-income renters with disabilities who may experience severe housing problems. HUD's *Worst Case Housing Needs: 2021 Report to Congress* showed that 1.045 million renter households with worst case needs included one or more non-elderly people with disabilities.¹ People with disabilities often require accessible housing in addition to supportive services to live independently and avoid institutionalization. Finding housing that accommodates these needs is very challenging.

¹ HUD (2021). *Worst Case Housing Needs: 2021 Report to Congress*. Available at: <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2021.html>

Capital Advance Amendments and Other Expenses - \$2.7 million

The Budget provides up to \$2.7 million for physical inspections and related costs, including funding needed to address the backlog and increasing cost of REAC inspections delayed due to the COVID-19 National Emergency.

HUD’s 2023 Budget request also includes funds for the Real Estate Assessment Center’s (REAC) efforts to eliminate the backlog of overdue physical inspections accrued largely during the COVID-19 pandemic, consistent with HUD Strategic Objective 2B – Improve Rental Assistance. The funds requested will enable REAC to eliminate the Multifamily Housing inspection backlog and maintain on-schedule inspections and re-inspections consistent with Multifamily program regulations through the end of 2023. Funds requested also support inspections-related contracts that facilitate analysis of inspection data, performance reporting, and the improvement of HUD’s inspection program through the National Standards for the Physical Inspection of Real Estate (NSPIRE) contract. Please see the Public Housing Fund justification for more details.

Owners of Section 811 properties may be able to receive a grant or loan to improve the climate resilience and energy efficiency of the units through HUD’s new Green and Resilient Retrofit program.

<u>Q4 2021 Section 811 Tenant Characteristics</u>																								
<p>How many households and people are served?</p> <p>36 thousand people 33 thousand households</p>	<p>What are the racial characteristics of the tenants?</p> <p>This program serves a somewhat diverse population. 38% of residents are in a minority group.</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th><i>Asian/ P.I.</i></th> <th><i>Black, non- Hispanic</i></th> <th><i>Hispanic</i></th> <th><i>Native American</i></th> <th><i>White</i></th> <th><i>Unknown</i></th> </tr> </thead> <tbody> <tr> <td>2%</td> <td>27%</td> <td>8%</td> <td>1%</td> <td>54%</td> <td>7%</td> </tr> </tbody> </table>	<i>Asian/ P.I.</i>	<i>Black, non- Hispanic</i>	<i>Hispanic</i>	<i>Native American</i>	<i>White</i>	<i>Unknown</i>	2%	27%	8%	1%	54%	7%	<p>What are the characteristics of the heads of household?</p> <p>Female headed families with children 3% Elderly 26% Non-elderly disabled 73%</p>										
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<p>How big are the households?</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Household Size</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1 Person</td> <td>92%</td> </tr> <tr> <td>2 People</td> <td>6%</td> </tr> <tr> <td>3 People</td> <td>1%</td> </tr> <tr> <td>4+ People</td> <td>< 1%</td> </tr> </tbody> </table>	Household Size	Percentage	1 Person	92%	2 People	6%	3 People	1%	4+ People	< 1%	<p>How old are the heads of household?</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>24 Years or Less</td> <td>3%</td> </tr> <tr> <td>25 to 50 Years</td> <td>39%</td> </tr> <tr> <td>51 to 60 Years</td> <td>33%</td> </tr> <tr> <td>62 Years or More</td> <td>26%</td> </tr> <tr> <td>85 Years or More</td> <td>0%</td> </tr> </tbody> </table>	Age Group	Percentage	24 Years or Less	3%	25 to 50 Years	39%	51 to 60 Years	33%	62 Years or More	26%	85 Years or More	0%	<p>What is the share of rent paid by the tenant and HUD?</p> <p>Average household contribution \$286 Average HUD contribution \$517</p>
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<p>What are the income levels of assisted households?</p> <p>Tenants make an average gross income of \$12,007. 92% of households earn \$20,000 or less per year</p>	<p>How do household incomes compare to the local area median income?</p> <p>Extremely low income (less than 30% AMI) 86% Very low income (30% to 50% AMI) 13% Low Income (50% to 80% AMI) 1%</p>																							
<p>Some percentage totals not equal to 100 due to rounding. Source: HUD PIC and TRACS databases, December 2021 extract.</p>																								

The *Genworth 2021 Cost of Care Survey* estimates the national average cost of a semi-private room in a nursing home is \$94,896 per year.² Evaluations of the Department of Health and Human Services (HHS) Money Follows the Person (MFP) program have found that lack of available affordable housing is a major barrier to transitioning persons with disabilities to independent living.³ The two most commonly reported challenges in a 2016 report were a dearth of affordable and accessible housing and an insufficient supply of rental vouchers. Under the Americans with Disabilities Act and the Supreme Court’s *Olmstead* decision, States are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities. State Medicaid Agencies are making efforts to comply with this mandate through Medicaid home and community-based “waiver” programs administered by the HHS Centers for Medicare and Medicaid Services. They find limited success in achieving this mandate, despite effective Medicaid waiver programs, because the target population cannot afford the cost of market rent in their community. Smart investments in Section 811 supportive housing align with, and complement, State efforts to provide home and community-based services for persons with disabilities in independent housing settings, minimizing the need to institutionalize this population.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carry over Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carry over Into 2022	2022 Total Resources	2023 President's Budget
Capital Advance Amendments and PRA (Expansion)	54,000	164,198	218,198	124,186	54,000	94,012	148,012	80,000
Capital Advance Amendments and Other Expenses	2,000	14,072	16,072	7,008	2,000	9,064	11,064	2,700
Disabled PRAC/PAC Renewal/Amendment	171,000	48,916	219,916	183,598	171,000	40,318	211,318	205,000
Disabled PRAC/PAC Renewal/Amendment (CARES Act)	-	9,830	9,830	971	-	8,859	8,859	-
Total	227,000	237,016	464,016	315,763	227,000	152,253	379,253	287,700

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2023 President’s Budget includes the following:

Renewal of Section 811 PRAC and 202 PAC Contracts for Terms of Up to Five Years. This proposal would allow HUD to renew expiring Section 811 PRACs and Section 202 PACs for up to five-year

² Genworth (2021). *Genworth Cost of Care Survey 2021*. Available at: <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

³ Coghlin, R., Ward, J., Denny-Brown, N., Hagen, B., Maurer, K., Morris, E., Smoot, J., Steiner, A., Perez, B. (2017). *Money Follows the Person Demonstration: Overview of State Gantee Progress, January to December 2016*. Cambridge MA: Mathematica Policy Research.

terms. This mirrors a provision enacted in 2021 that allows 5-year terms for Section 202 PRAC renewals.

General Provisions

The 2023 President's Budget proposes the following new general provisions:

RAD for Section 811. (See *PBRA Account*) Authorize the budget-neutral conversion of Section 811 PRAC properties under RAD. Much like the Section 202 PRACs, the 30,000 units assisted through Section 811 PRACs are an aging stock with growing capital needs, but with limited access to private and public financing. These properties also experience unique challenges as owners seek alignment with community integration mandates and supportive service program requirements, which may require distinct authorizing language to make best use of the deep rental assistance, and which will be recognized in the planned conversion process. These changes will ultimately improve properties and benefit tenants with disabilities. (2023 President's Budget, Sec. 232)

The 2023 President's Budget re-proposes the following general provisions that were enacted in the 2021 appropriations bill:

Transfers of Assistance, Debt, and Use Restrictions. This provision allows the Secretary to authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary, and statutorily required low-income and very low-income use restrictions if any, associated with one or more obsolete multifamily housing project(s) to a viable multifamily housing project. (2023 President's Budget, Sec. 206)

Legislative Proposals

The 2023 Budget supports the following legislative proposal(s) and will seek changes through the authorization process:

Modification to Rent Increase procedures for Section 202 and 811 PRAC projects. Currently, contract rents for properties with Section 202 and Section 811 project rental assistance contracts (PRACs) are set through annual budget-based rent increases. This proposal would allow for the use of an operating cost adjustment factor (OCAF) for annual contract adjustments, with budget-based rent increases every 5 years. This would streamline the rent adjustment process for Section 202 and Section 811 PRACs and reduce administrative burden on property owners and HUD program staff. The use of annual OCAF would eliminate the need for over 4,000 budget reviews of properties in the PRAC portfolio annually, saving an estimated 25,000 staff hours by allowing sponsors of these properties to use interim OCAF adjustments rather than preparing annual budget submissions, and an estimated 20,000 staff hours for HUD in reviewing and responding to these submissions. These scarce staffing resources could be better used running properties and supporting residents, and on the HUD side could be dedicated to other portfolio management tasks, including property oversight.

APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

For capital advances, including amendments to capital advance contracts, for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act, for project assistance contracts pursuant to subsection (h) of section 202 of the Housing Act of 1959, as added by section 205(a) of the Housing and Community Development Amendments of 1978 (Public Law 95-557: 92 Stat. 2090), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 5-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Affordable Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, \$287,700,000, to remain available until September 30, 2026: Provided, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 811 projects: Provided further, That, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 811 project rental assistance contract, and that upon termination of such contract are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to remain available until September 30, 2026: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading shall be used for the current purposes authorized under this heading in addition to the purposes for which such funds originally were appropriated.

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.